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UNCLAS BOGOTA 004511

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E.O. 12958: N/A

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SUBJECT: IMF VISIT TO COLOMBIA

1. (SBU) SUMMARY: Commending the Government of Colombia (GOC) on its impressive growth over the last year, the International Monetary Fund (IMF) found that the short term outlook for Colombia is positive and expects the Colombian economy to meet revised macroeconomic targets. The positive macroeconomic growth seen over the last year reflects the strong policies of the Uribe administration, but the work toward a stable, sustainable economic situation in Colombia is not yet finished. Structural reforms decided upon in the IMF-Colombia Stand-by Agreement two years ago must pass if economic growth is to continue in the long run. END SUMMARY

2. (SBU) The IMF delegation's third review of the Stand-by Agreement, which Colombia signed two years ago, commended Colombia on its positive economic growth and applied pressure for reforms. The IMF was impressed by the GOC's GDP growth (3.5 percent), fiscal deficit reduction (2.8 percent of GDP) and inflation stabilization (6.49 percent) over the past year. In addition, the IMF commended the Central bank for its handling of monetary policy. In light of the positive news, the IMF announced that it had adjusted its growth expectations for Colombia in 2004 up to 4 percent GDP from 3.3 percent. In addition, the IMF expects that the GOC will meet its public fiscal deficit target of 2.5 percent of GDP (down from 2.8 for 2003) and that inflation will remain under control.

3. (SBU) Although the economic data paints a bright picture, the IMF acknowledged that these successes could be fleeting if the GOC did not continue structural reform by passing budget code and pension reforms. The IMF team, recognizing the tough legislative fight ahead, expressed some concern that other issues (such as re-election) might distract the GOC. They urged the GOC to focus on passing these reforms.

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